

MONTHLY REVENUE REPORT

February 2009

The revenue generated from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$666.3 million in February, which was down 31.1% from last year's level. While tax collections in February were expected to fall below last year's level, due primarily to the impact of the economic recession, the decline was much worse than expected. In fact, each of the major taxes tracked in this report experienced a decline in revenue in February compared with their year-ago level. In addition, tax collections fell short of the estimate for February by almost \$100.0 million. Combined with the equally weak level of collections in January, tax collections so far in FY 2008-09 are about \$200.0 million below the January 2009 consensus revenue estimate. Of this amount, General Fund revenue is down from the estimated level by about \$105.0 million and School Aid Fund revenue is down \$95.0 million. Compared with the year-ago collection level, tax collections so far in FY 2008-09 are down 8.6%.

Income tax revenue totaled a negative \$45.4 million in February, as refund payments to taxpayers were larger than gross income tax revenue from withholding, quarterly, and annual payments. This marked the first time monthly net income tax revenue has been negative since March 1993. Gross income tax revenue fell 5.5% in February compared with last year's level, while refund payments topped the year-ago level by 23.2%. So far in FY 2008-09, income tax revenue is down 8.5%, and despite the weak level of collections in February, income tax revenue remains on target with the consensus estimate.

Sales tax collections fell 17.8% in February to \$409.8 million. While it is not unusual for sales tax collections to experience wide swings on a monthly basis, February collections marked the steepest monthly decline during the past 25 years. Sales tax revenue from motor vehicle transactions was up 15.5%, but sales tax receipts from all other taxable retail sales were down 21.5%. Sales tax collections from motor vehicle sales have now been up for the past three months, but the reason for these increases is not clear. On a fiscal year-to-date basis, sales tax receipts are down 10.3% and sales tax revenue is down about \$100.0 million from the consensus revenue estimate.

Michigan Business Tax and Single Business Tax combined collections totaled \$58.0 million in February, which was 22.0% below last year's level. Michigan Business Tax revenue was stronger than expected, but refunds disbursed under the repealed Single Business Tax were larger than expected. So far in FY 2008-09, the revenue from these business taxes is down about \$65.0 million from the target level.

Among some of the other major taxes, real estate transfer tax receipts fell 41.8% in February to \$9.6 million; severance tax revenue dropped 37.3% to \$4.2 million; and tobacco tax collections declined 6.7% to \$79.3 million.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for February 2009. Also presented are the consensus revenue estimates for FY 2008-09, which were adopted at the January 9, 2009, Consensus Revenue Estimating Conference.



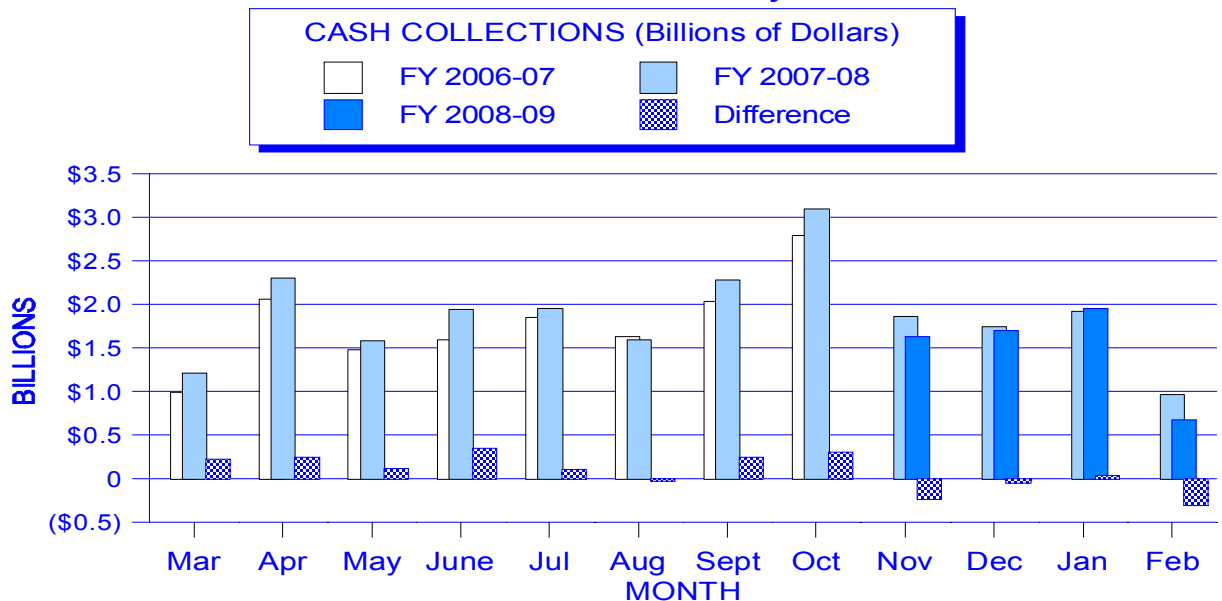
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MICHIGAN REVENUE UPDATE
FEBRUARY 2009
(dollars in millions)

Type of Revenue	February Collections		FY 2008-09 to Date ²⁾		FY 2008-09 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2007-08
Gross Income Tax	\$563.8	(5.5)%	\$2,755.8	(3.9)%	\$8,553.1	(5.1)%
Refunds	(609.2)	23.2	(674.3)	13.7	(2,051.9)	14.6
Net Income Tax	\$(45.4)	(144.4)%	\$2,081.5	(8.5)%	\$6,501.2	(10.0)%
Sales Tax	409.8	(17.8)	1,983.5	(10.3)	6,491.7	(4.2)
Motor Vehicles	56.7	15.5	221.0	9.6	---	---
All Other Sales Tax	353.1	(21.5)	1,762.5	(12.3)	---	---
Use Tax	89.6	(10.3)	324.3	(24.1)	1,267.5	(8.0)
Tobacco Taxes	79.3	(6.7)	341.3	4.4	1,043.7	(2.8)
Single Business Tax	(52.2)	(175.0)	(98.7)	(122.0)	(43.2)	(107.5)
Michigan Business Tax	110.2	---	708.1	---	2,586.7	36.7
Insurance Tax	9.2	(63.6)	72.7	(9.9)	238.8	7.0
State Education Property Tax	23.0	(7.3)	284.1	(33.9)	2,010.2	(3.3)
Real Estate Transfer Tax	9.6	(41.8)	38.9	(40.0)	144.3	(15.0)
Casino Wagering Tax ⁴⁾	9.5	(6.9)	38.1	(13.8)	118.6	(8.6)
Oil & Gas Severance Tax	4.2	(37.3)	20.5	(24.1)	66.0	(32.0)
Other Taxes ⁵⁾	19.5	(15.9)	128.3	(7.4)	389.4	(6.4)
Total	\$666.3	(31.1)%	\$5,922.6	(8.6)%	\$20,814.9	(5.5)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$204.2	(18.7)%	\$995.8	(0.7)%	\$2,067.0	(5.5)%
Net to School Aid Fund ⁴⁾	\$ 54.1	(32.7)%	\$292.0	(8.7)%	\$ 700.1	(5.5)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
2) FY 2008-09 year-to-date collections begin with November 2008 collections to reflect accrual accounting.
3) Consensus revenue estimates adopted at the January 9, 2009, Consensus Revenue Estimating Conference.
4) Lottery and casino revenue is not accrued, so FY 2008-09 collections will include October 2008 to September 2009.
5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

Actual Revenue Collections for Major State Taxes*
March 2007 to February 2009



*Comparison of actual collections. Major taxes include the beer, casino wagering, estate, income, industrial facilities, insurance retaliatory, liquor, MBT, oil & gas severance, real estate transfer, sales, SBT, State education property, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.